



Highlights

- Ontario retail sales edged up by 0.7 per cent in January despite broad national gains
- Ontario Inflation dips in February, food prices remain elevated
- Overnight tourists account for 62.9 per cent of total non-resident visits in Ontario

Ontario retail spending growth lags national gain in January

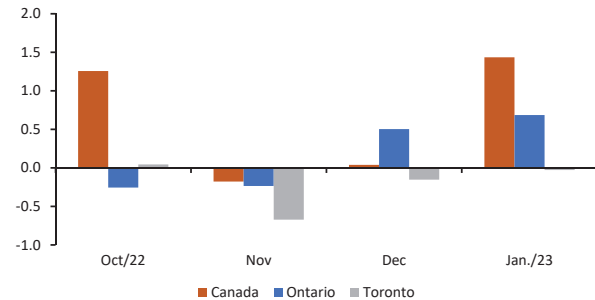
Bryan Yu, Chief Economist

Canadian consumer spending accelerated again in January as the economy shrugged off some of the cumulative impacts of higher interest rates and was bolstered by labour market strength and record levels of immigration. National retail spending jumped by a strong 1.4 per cent in January which followed a 0.7 per cent increase in December. Retail prices held steady during the month with real volume sales up 1.4 per cent. Year-over-year sales rose 4.9 per cent in nominal terms and 4.5 per cent after accounting for prices. Key drivers of the increase included an increase at new car dealers (+3.0 per cent) likely reflecting increased shipments and reduced backlogs, gasoline sales (+2.9 per cent) and food retailers (+0.8 per cent). Excluding the more volatile motor vehicle and parts sectors and price influenced gasoline sales, spending was still 0.5 per cent higher. That said, preliminary February data points to some retracement of January gains with early sales down 0.6 per cent.

While national sales were robust, Ontario lagged in January. Total retail spending rose by a modest 0.7 per cent which was slightly stronger than December's 0.5 increase. Toronto sales were unchanged, meaning growth was concentrated in other regions of the province. On a year-over-year basis, sales were also modest with a 2.0 per cent increase in Ontario, with Toronto up 0.9 per cent. Soft spending growth in the province may reflect the drag from the province's more severe downturn in the housing market.

Weak sales in Toronto tempers Ontario retail spending

Monthly per cent change in retail sales, seasonally-adjusted



Source: Statistics Canada

Latest: Jan - 23

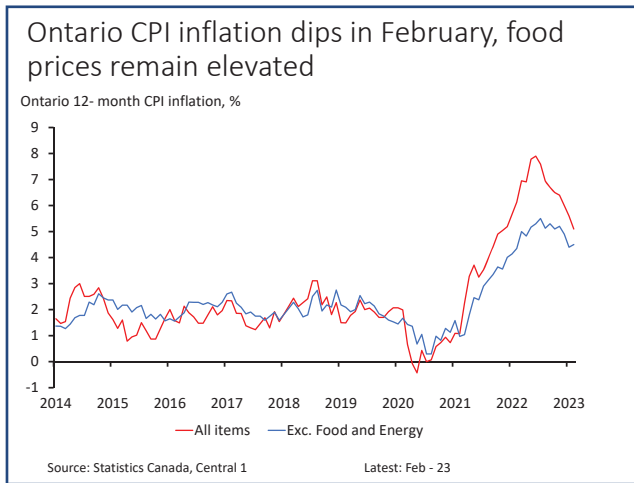
Based on industry level data, drivers were consistent with the national picture. Motor vehicle and parts sales rose 6.4 per cent unadjusted year-over-year compared to 3.8 per cent in December. Growth accelerated in sectors like clothing which was up 16.5 per cent compared to 11.7 per cent in December. Housing-related sales were a drag which fell 5.7 per cent on a 12-month basis compared to a 9.5 per cent gain in December. Similar patterns were seen in the electronics and appliances space also faltered.

Retail sales patterns are likely to be mixed going forward. While continuously supported by population growth, a slowing economy is expected to curb activity.

Ontario headline inflation continues on a downward path in February 2023 to 5.1 per cent

Eloho Ennah, Economic Analyst

Headline inflation in Ontario continued to decline in February to 5.1 per cent, down from the 5.6 per cent reported in the previous month and below the national figure. Base-year effects may have a role to play in the deceleration as Russia's war on Ukraine contributed to higher gasoline prices in February 2022. Gasoline prices fell by 7.8 per cent year-over-year. On a monthly basis, gasoline prices decreased by 2.3 per cent and pushed energy and transportation prices down by 1.5 per cent and 0.7 per cent respectively. The Consumer Price Index grew by 0.4 per cent during the month, with the component showing the largest price increase being clothing and footwear, up by 2.2 per cent.



Food prices decelerated in February as year-over-year prices grew by 9.4 per cent, lower than the 10.1 per cent increase in January. Supply chain restrictions and rising input costs in agricultural regions are several factors that continue to contribute to elevated food prices. Excluding food and energy prices, CPI inflation in Ontario was 4.5 per cent in February, a slight rise from 4.4 per cent in January 2023.

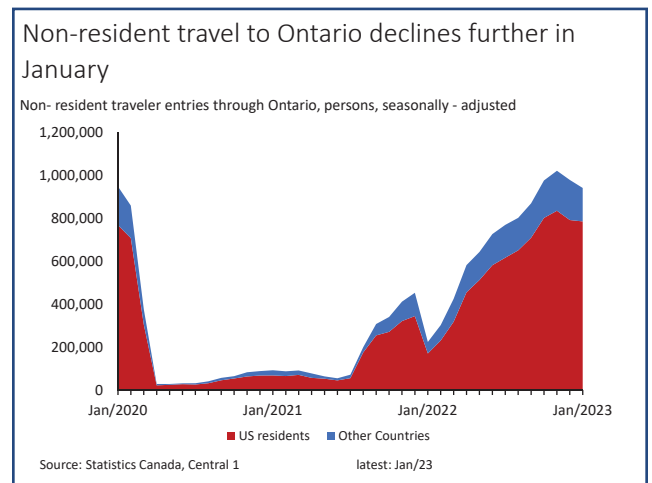
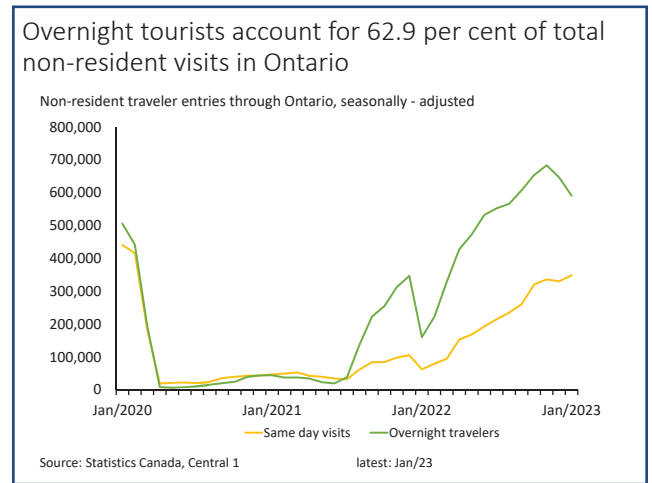
Price of shelter also decelerated year-over-year, growing at 6.3 per cent and down from 6.8 per cent in January. The deceleration was in part due to lower homeowners replacement costs, however rent and mortgage interest costs remained elevated. Monthly, shelter prices edged up 0.2 per cent. Prices for household operations, furnishings and equipment increased during the month by 1.1 per cent, more than offsetting the dip of 0.6 per cent in the prior month.

In February, goods and services prices grew nearly at the same pace of 0.4 per cent and 0.5 per cent respectively, however goods prices decelerated during the month after posting a change of 1.2 per cent in January. On the other hand, prices for services accelerated, after being unchanged in January. Health and personal care items prices rose 0.8 per cent, and items related to recreation, education and reading showed a 1.1 per cent increase in prices. Alcoholic beverages, tobacco and recreational cannabis products also reported a 1.1 per cent price increase.

Non-resident travel to Ontario declines further in January

Eloho Ennah, Economic Analyst

January's seasonally adjusted value of non-resident travelers arriving in Ontario decreased to 939,558, a 3.8 per cent reduction from December's value. Non-resident trips to Ontario had been increasing in 2022 before beginning its descent in November. January's value was 0.7 per cent lower than 2020's value, before the start of the Covid-19 pandemic. Overnight tourists



trips to Ontario, which accounted for 62.9 per cent of total non-resident visits, decreased further and was down 8.6 per cent during the month. On the other hand, same day excursionists visits to the province increased by 5.5 per cent and made up 37.1 per cent of total non-resident trips. Total trips from residents of countries other than the US arriving in the province fell by 16.6 per cent.

Overnight tourists mostly consisted of American residents, most of whom arrived in the province via automobile. Tourist trips by US residents to Ontario fell 5 per cent while same day visits were up 5.4 per cent. Post-pandemic numbers for tourist trips peaked in November 2022 following the removal of Covid-19 related travel restrictions but has since been receding.

As we move into warmer spring and summer months, tourism may improve in the absence of pandemic related travel restrictions.

For more information, contact economics@central1.com.